

Pursuant to Article 37, Paragraph 9, Item 3) and Article 187 of the Banking Law of Republika Srpska ("Official Gazette of Republika Srpska", No.: 4/17, 19/18, 54/19 and 63/24), Article 5, Paragraph 1, Item b), Article 20, Paragraph 2, Item b) and Article 37 of the Law on the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No.: 59/13 and 4/17), Article 6, Paragraph 1, Item b) and Article 19, Paragraph 1, Item b) of the Statute of the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska" No.: 63/17), and Article 3, Paragraph 3 of the Decision on capital buffer for systemically important banks, the Management Board of the Banking Agency of Republika Srpska, at the 12th session, held on 10 December 2024, adopted the

DECISION

ON METHODOLOGY FOR DETERMINING SYSTEMICALLY IMPORTANT BANKS AND CAPITAL BUFFER FOR SYSTEMICALLY IMPORTANT BANKS

Subject

Article 1

- (1) The Decision on methodology for determining systemically important banks and capital buffer for systemically important banks (hereinafter: the Decision) shall stipulate the criteria, indicators and associated weights within the methodology for determining systemically important banks, as well as the capital buffer ratios for systemically important banks in Republika Srpska.
- (2) The provisions of this Decision shall apply to all banks headquartered in Republika Srpska, to which the Banking Agency of Republika Srpska (hereinafter: the Agency) has issued an operating license.

Criteria for determining systemically important banks

Article 2

- (1) Based on the criteria defined by the Banking Law of Republika Srpska, the Agency shall stipulate indicators and associated weights on the basis of which systemically important banks are determined.
- (2) Within the criteria referred to in Paragraph 1 of this Article, indicators with associated weights within each criterion shall be determined.

An overview of the criteria, indicators and associated weights is presented in Table 1.

Table 1. Criteria, indicators and weights for determining systemically important banks

Criteria	Weight	Indicators	Weight
Size	25%	Total exposure (total net balance sheet assets)	25%
Interconnectedness with other participants in the financial sector	25%	Deposits of domestic banks, banking and non-banking financial institutions	8,33%
		Loans to banks, banking and non-banking financial institutions	8,33%
		Unsecured deposits (excluding Government deposits, deposits of domestic banks and non-banking financial institutions)	8,33%
Substitutability in the financial sector	25%	The value of inter-banking cashless payment transactions	8,33%
		Private sector deposits	8,33%
		Private sector loans	8,33%
Complexity of operations	25%	Debt securities (residents)	8,33%
		Liabilities to non-residents	8,33%
		Claims on non-residents	8,33%

- (3) The number of score is calculated in such a way that:
 - 1) the value of the indicator of each individual bank is divided by the total sum of the values of the individual indicator for all banks in the banking sector of Republika Srpska;
 - 2) the obtained percentages of indicators within the criteria are multiplied by 10,000 to express the indicators in basis points;

- 3) a simple average of the scores under indicators in an individual criterion is taken to obtain the scores under criterion for each bank;
 - 4) a simple average of the scores for all four criteria is taken to obtain the overall score for each bank.
- (4) A bank's systemic importance coefficient (hereinafter: BSIC) shall be calculated according to the following formula:

$$\begin{aligned}
 BSIC = & \left(0,25 \times \frac{TA_{ij}}{\sum_{i=1}^n TA_{ij}} \right) \times 10000 + \left[0,0833 \times \left(\frac{DBNBI_{ij}}{\sum_{i=1}^n DBNBI_{ij}} + \frac{LBNBI_{ij}}{\sum_{i=1}^n LBNBI_{ij}} + \frac{UD_{ij}}{\sum_{i=1}^n UD_{ij}} \right) \right] \times 10000 \\
 & + \left[0,0833 \times \left(\frac{VIBPT_{ij}}{\sum_{i=1}^n VIBPT_{ij}} + \frac{DPR_{ij}}{\sum_{i=1}^n DPR_{ij}} + \frac{LPR_{ij}}{\sum_{i=1}^n LPR_{ij}} \right) \right] \times 10000 \\
 & + \left[0,0833 \times \left(\frac{DS_{ij}}{\sum_{i=1}^n DS_{ij}} + \frac{LNR_{ij}}{\sum_{i=1}^n LNR_{ij}} + \frac{CNR_{ij}}{\sum_{i=1}^n CNR_{ij}} \right) \right] \times 10000
 \end{aligned}$$

where:

- TA_{ij} – Total exposure (total net balance sheet assets) of the i -th bank in the j -th period
- $DBNBI_{ij}$ – Deposits of domestic banks, banking and non-banking financial institutions of the i -th bank in the j -th period
- $LBNBI_{ij}$ – Loans to banks, banking and non-banking financial institutions of the i -th bank in the j -th period
- UD_{ij} – Unsecured deposits, excluding Government deposits, deposits of domestic banks and non-banking financial institutions of the i -th bank in the j -th period
- $VIBPT_{ij}$ – Value of inter-banking cashless payment transactions of the i -th bank in the j -th period
- DPR_{ij} – Private sector deposits (deposits of individuals, private companies and undertakings, non-profit organizations and others) of the i -th bank in the j -th period
- LPR_{ij} – Private sector loans (loans to individuals, private companies and undertakings, non-profit organizations and others) of the i -th bank in the j -th period
- DS_{ij} – Debt securities (residents) of the i -th bank in the j -th period
- LNR_{ij} – Liabilities to non-residents (liabilities to foreign banks and international financial institutions) of the i -th bank in the j -th period
- CNR_{ij} – Claims on non-residents (claims from foreign banks and international financial institutions) of the i -th bank in the j -th period
- n – number of banks in the banking sector of Republika Srpska in the j -th period.

Thresholds for determining systemically important banks

Article 3

- (1) The threshold of the coefficient of systemic importance of a bank (BSIC) from Article 2 of this Decision, based on which a bank is classified in the group of systemically important banks, is set at a total of at least 1500 basis points, taking into account all the criteria from Article 2 of this Decision applied to the banks from Article 1, Paragraph 2 of this Decision.
- (2) The Agency may designate a bank that does not meet the conditions referred to in Paragraph 1 of this Article as a systemically important bank in the following cases:
 - 1) when a bank, according to one or more criteria from Article 2 of this Decision, meets the condition from Paragraph 1 of this Article relating to the threshold of the coefficient of systemic importance of a bank,
 - 2) when the bank's systemic importance coefficient deviates by up to 300 basis points from the systemic importance coefficient threshold referred to in Paragraph 1 of this Article,
 - 3) the existence of critical bank functions identified by the Agency, and
 - 4) other specific circumstances.
- (3) In the event of application of Paragraph 2 of this Article, the Agency shall provide an explanation for the same.

- (4) In the event that the Agency designates a bank that does not meet the conditions referred to in Paragraph 1 of this Article as a systemically important bank, or when the Agency designates it as a systemically important bank based on the requirements referred to in Paragraph 2 of this Article, the capital buffer ratio for the systemically important bank shall be determined based on the corresponding ranges of scores presented in Article 4, Paragraph 2 of this Decision.

Capital buffer ratio for systemically important banks

Article 4

- (1) The Agency shall determine and update once a year the list of systemically important banks in Republika Srpska, no later than the end of the current year, and based on data on an individual basis as of 31 December of the previous year.
- (2) The capital buffer ratios for systemically important banks shall be determined based on the corresponding score ranges shown in Table 2, which shall be determined by the Agency once a year.

Table 2. Capital buffer ratios for systemically important banks

Score number	Capital buffer ratio for systemically important banks
0-999	0,50%
1000-1499	1,00%
1500-1999	1,50%
2000-2499	2,00%
2500-2999	2,50%
≥ 3000	3,00%

- (3) The bank shall maintain the capital buffer ratio for systemically important banks in the form of Common Equity Tier 1 capital on an individual basis.
- (4) In the event of the existence of critical functions of a bank identified by the Agency, which relate to activities, services or operations not previously included in the calculation of the bank's systemic importance coefficient (BSIC), the Agency may, in addition to the ratios in Table 2, set for a bank an additional capital buffer ratio for systemically important banks.

Transitional and final provisions

Article 5

This Decision shall come into force on the eighth day from the date of its publication in the "Official Gazette of Republika Srpska" and shall apply from 30 June 2025.

Number: UO-122/24

Date: 10 December 2024

PRESIDENT OF THE
MANAGEMENT
BOARD
Dejan Kusturić